



Commonwealth of Kentucky Public Protection Cabinet

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Kentucky Health Cooperative Contractors, Management Sued ***Co-op liquidator asserts defendants responsible for co-op insolvency***

Frankfort, Ky. (Oct. 28, 2016) In another step toward making Kentucky's citizens and health care providers whole following the collapse of the Kentucky Health Cooperative, H. Brian Maynard, Commissioner of the Kentucky Department of Insurance and liquidator of the Co-op, today filed additional litigation against the Co-op's former contractors and top management.

The suit filed today in Franklin Circuit Court alleges gross negligence and breach of fiduciary duties by the Co-op's contractors and management, including Beam Partners, LLC and its principal, Terry S. Shilling; CGI Technologies and Solutions, Inc.; and the Co-op's former officers and Board of Directors, including its CEO and Board Chairman.

Beam Partners is alleged to have recruited individuals without the necessary experience and education to fill the Co-op's leadership positions and of awarding multi-million dollar contracts to vendors that were incapable of performing the necessary functions of a health insurance company, all while billing the Co-op substantial sums. CGI, the Co-op's third-party administrator, is alleged to have been grossly negligent in performing its duties, which included processing claims in a correct and timely fashion.

The suit also alleges claims against the Co-op's directors and management for failing to provide appropriate oversight and approving inadequate insurance premiums. And despite these failures and the Co-op losing millions of dollars, the Co-op's directors paid bonuses to management. The suit seeks repayment of these bonuses.

"Years of mismanagement by Co-op administrators and contractors forced the Co-op into liquidation, leaving Kentucky's citizens and their healthcare providers in medically and financially vulnerable positions," stated Commissioner Maynard. "The complaint filed today serves as a step toward justice for the tens of thousands of Kentuckians who have been impacted by the Co-op's failure."

Established in 2011 under Obamacare, the Co-op was ordered into rehabilitation in October 2015 due to its financial troubles. Within months, the financial disaster caused by

mismanagement and malfeasance was confirmed, and the rehabilitation proceedings were converted to a liquidation in January 2016.

Under the Obamacare plan, Kentucky's Healthcare Cooperative is one of many Co-ops to collapse as a result of systematic failures and mismanagement, limiting the healthcare options available to Kentuckians.

A copy of the complaint, with exhibits, is available at the following link:
<http://insurance.ky.gov/Documents/Complaint%2016-CI-1160.pdf>.